

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 XMB-02 CIAE-00 INR-07 NSAE-00

MC-02 TRSE-00 SSO-00 INRE-00 L-03 /034 W

----- 127373

O R 231610Z JAN 76

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC IMMEDIATE 2308

INFO USDOC IMMEDIATE

AMEMBASSY LONDON

AMEMBASSY ROME IMMEDIATE

FAA BRUSSELS

C O N F I D E N T I A L ATHENS 0709

NOFORN

DEPARTMENT PASS EXIMBANK TUTINO

USDO FOR BIC/OED COHEN

ROME FOR RCAA

E.O. 11652: GDS

TAGS: BEXP, BENC, DAIR, EFIN, GR

SUBJECT: PURCHASE OF NEW TWINJET AIRCRAFT BY OLYMPIC STALLED

REF: A) ATHENS 283 (NOTAL); B) ATHENS 472 (NOTAL)

SUMMARY: THE PURCHASE OF NEW TWINJET AIRCRAFT BY OLYMPIC APPEARS STALLED. ACCORDING TO EMBASSY INFORMATION, THIS IS AT LEAST IN PART THE RESULT OF NEW BRITISH INITIATIVES IN LONDON AND ATHENS. SHOULD THE DELAY CONTINUE A OLYMPIC MAY BUY NO NEW AIRCRAFT AT ALL THIS YEAR. AMBASSADOR CALLED MINISTER OF COORDINATION PAPALIGOURAS TO EXPRESS USG CONCERN OVER CONTINUING DELAY. PAPALIGOURAS RENEWED ASSURANCES THAT POLITICAL CONSIDERATIONS WOULD NOT REPEAT NOT BE ALLOWED TO INTERVENT IN GOG DECISION IN A MANNER UNFAVORABLE TO U.S., BUT HE STOPPED SHORT OF SAYING THAT GOG WOULD NOW PURCHASE US AIRCRAFT
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AS RECOMMENDED BY GOG'S OWN EVALUATION COM-

MITTEE. ACGION REQUESTED: EMBASSY RECOMMENDS SIMILAR
APPROACH TO GREEK AMBASSADOR IN WASHINGTON SAP.
END SUMMARY.

1. EMBASSY HAS LEARNED FROM VARIOUS RELIABLE
SOURCES THAT BRITISH ARE MOUNTING MAJOR EFFORT TO
SWING FINAL DECISION THEIR WAY OR BLOCK SALE ENTIRELY
UNTIL FURTHER MANAGEMENT CHANGES TAKE PLACE AT OLYMPIC.
INITIATIVES TAKE DIFFERENT FORMS:

A) PRESS CAMPAIGN (REFTEL A)

B) PARLIAMENTARY CRITICISM (REFTEL A)

C) NEW OFFERS: EMBASSY OFFICER HAS SEEN COPY OF
NEW OFFER, DATED 17 JANUARY, FROM BAC STATING THAT
PAYMENT OF \$10 MILLION OF PURCHASE PRICE COULD BE
EFFECTED THROUGH TRIANGULAR TRANSACTION VIA SOME UN-
SPECIFIED COUNTRY. ACCORDING TO THE LETTER, THE
ARRANGEMENTS WOULD BE HANDLED BY BAC. ANOTHER LETTER,
DATED 19 JANUARY, IMPROVES OFFER WITH REGARD TO
ENGINE SPARES.

D) DIPLOMATIC: EMBASSY OFFICER WAS READ CABLE
FROM GREEK AMBASSADOR ROUSSOS IN LONDON TO FOREIGN
MINISTRY IN ATHENS RELATING HOW HE WAS CALLED TO
BRITISH FOREIGN OFFICE BY HEAD OF SOUTH EUROPEAN
OFFICE GOODISON (PHON.) WHO PRESENTED DEMARCHE IN
FAVOR OF BAC ONE-ELEVEN, STATING THAT PROSPECTIVE
MEMBERS OF THE EEC COULD BE EXPECTED TO DEMONSTRATE
THEIR GOODWILL.

E) PERSONAL ATTACK: ACCORDING TO CHAIRMAN OF
OLYMPIC BOARD THEOPHANOUS, RUMORS OF COLLUSION BETWEEN
BOEING AND CURRENT OLYMPIC MANAGEMENT ARE BEING CIR-
CULATED BY BAC'S GREEK LAWYER LYCOUREZOS.

2. AS STATED REFTTEL (B), RECOMMENDATION BY AIR-
CRAFT EVALUATION COMMITTEE WAS UNANIMOUSLY FOR BOEING
737. ACCORDING TO LATER INFORMATION, MCDONNELL
DOUGLAS WAS CLOSE SECOND, BAC ONE-ELEVEN DISTANT THIRD.
THEREFORE, ANY NEW BRITISH OFFER WOULD HAVE TO ENABLE
BAC TO OVERCOME OVERWHELMING LEAD ON THE PART OF US
MANUFACTURERS. ACCORDING TO VARIOUS EMBASSY SOURCES,
BRITISH UNDERSTAND THIS, BUT BELIEVE NEW OFFERS, IF
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THEY DO NOT FURTHER SALE OF BAC ONE-ELEVEN, WOULD AT
LEAST HELP STOP PURCHASE OF US AIRCRAFT BY ADDING TO
DELAY. CANCEL OF PURCHASE AT THIS TIME WOULD ENABLE
BAC TO MAKE RENEWED EFFORT IF AND WHEN OLYMPIC
MANAGEMENT CHANGES (PRESENT BOARD STILL OFFICIALLY
TEMPORARY). OLYMPIC PRESENTLY RELYING ON LEASING
ARRANGMENTS MADE BY AIRCRAFT VENDORS AS PART OF
THEIR OFFERS TO FILL SUMMER 1976 REQUIREMENTS. NOT

ONLY DO US AIRCRAFT MANUFACTUREERS FIND IT INCREASINGLY
DIFFICULT TO MAINTAIN THOSE ARRANGEMENTS, BUT IN
THE ABSENCE OF A GOG DECISION OLYPMIC WILL SOON HAVE
TO CANCEL PURCHASE AND TURN TO OPEN MARKET FOR NEW
LEASING ARRANGMENTTS IN ORDER TO FULFILL THEIR
COMMITMENTS TO TRAVEL AGENCIES.

3. AGAINST THIS BACKGROUND, THE AMBASSADOR
CALLED COORDINATION MINISTER PAPALIGOURAS TO RESTATE
STRONG US INTEREST IN THIS TRANSACTION.
THE AMBASSADOR STRESSED THAT MAJOR EFFORT WAS MADE
BY USG/EXIMBANK TO OFFER MOST LIBERAL FINANCIAL TERMS POSSIBLE.
PAPALIGOURAS SAID HE HAD NOT YET READ THE AIRCRAFT
EVALUATION COMMITTEE'S REPORT, BUT ADMITTED THAT HE
HAD HEARD THAT THE REPORT RECOMMENDED A US MANUFACTURER.
PAPALIGOURAS CONCEDED THAT THE BRITISH AMBASSADOR HAD
ALSO BEEN IN TOUCH WITH HIM, BUT HE ASSERTED THAT HE PERSONALLY
WOULD NOT REPEAT NOT ALLOW POLITICAL ARGUMENTS TO
INFLUENCE GOG DECISION IN A MANNER UNFAVORABLE TO U.S. PAPALIGOURAS
STOPPED SHORT OF SAYING THAT A US AIRPLANE WOULD BE CHOSEN,
BUT HE DID SAY THAT HE EXPECTED A FINAL DECISION SOON.

4. ACTION REQUESTED: EMBASSY RECOMMENDS THAT
DEPARTMENT ALSO EMPHASIZE TO GREEK AMABSSADOR IN WASH-
INTON ASAP STRONG US INTEREST IN THIS ISSUE NOT ONLY
FROM THE COMMERCIAL ASPECT, BUT ALSO BECAUSE IT
OFFERS AN OPPORTUNITY FOR A SIGNIFICANT US OFFICIAL
LOAN AT A TIME WE WISH TO DEMONSTRATE US POLLTICAL/
ECONOMIC SUPPORT OF GREECE. AFTER SO MUCH EFFFORT HAS
BEEN EXPENDED BY USG TO OFFER EXTREMELY LIBERAL FINANC-
ING TERMS, AND GIVEN OUR KNOWLEDGE THAT THE US AIR-
CRAFTS TECHNICAL SUPERIORITY HAS BEEN RECOGNIZED
BY THE GOG'S OWN EVALUATION COMMITTEE, USG HOPES
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THAT GOG WILL REACH EARLY DECISION ON CLEAR MERITS OF
THE CASE.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMERCIAL AIRCRAFT, SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 JAN 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ATHENS00709
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760026-0774
From: ATHENS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760130/aaaaazli.tel
Line Count: 157
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: NOFORN
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: NOFORN
Reference: 76 ATHENS 283
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAR 2004 by KelleyW0>; APPROVED <29 JUL 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PURCHASE OF NEW TWINJET AIRCRAFT BY OLYMPIC STALLED
TAGS: BEXP, EAIR, EFIN, GR, OLYMPIC AIRWAYS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006